

Message Text

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70

ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 EB-11 COME-00 STR-08 AGR-20

TAR-02 SPC-03 SAM-01 AID-20 NSC-10 RSC-01 CIEP-02

SS-20 OMB-01 CEA-02 PA-04 PRS-01 USIA-15 L-03 DRC-01

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2722

INFO AMCONSUL CALGARY UNN

AMCONSUL MONTREAL UNN

AMCONSUL TORONTO UNN

AMCONSUL VANCOUVER UNN

AMCONSUL WINNIPEG UNN

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E.O. 11652: N/A

TAGS: ETRD, CA

SUBJECT: CANADIAN EXPORT CONTROLS AND EXPORT TAXES

REF: A. STATE 22871; B. OTTAWA 415

1. THIS TELEGRAM SHOULD BE READ IN CONJUNCTION WITH REF B DATED FEBRUARY 11, WHICH REPORTED ON SHORT SUPPLY PROBLEMS AND RESTRAINTS ON EXPORTS IN CONTEXT OF HEARINGS ON RENEWAL OF U.S. EXPORT ADMINISTRATION ACT.

2. CANADA'S ONLY REPEAT ONLY EXPORT TAX APPLIES TO CRUDE OIL, INCLUDING SYNTHETICS AND CONDENSATES. TAX OF FORTY CENTS PER BARREL ON THESE EXPORTS, ALL TO U.S., WAS INSTITUTED OCTOBER 1, 1973 (OTTAWA 2205) RAISED TO \$1.90 PER BARREL EFFECTIVE DECEMBER 1, 1973 (OTTAWA 2611) TO \$2.20 PER BARREL EFFECTIVE JANUARY 1, 1974 (OTTAWA 2869, AND FURTHER RAISED TO \$6.40 PER BARREL EFFECTIVE LIMITED OFFICIAL USE

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FEBRUARY 1, 1974 (OTTAWA 22).

3. EXPORT CONTROLS, ADMINISTERED BY NATIONAL ENERGY BOARD (NEB), INSTITUTED ON CRUDE OIL, SYNTHETIC CRUDE, AND CONDENSATES EFFECTIVE MARCH 1, 1973 (OTTAWA A-80). CONTROLS ON EXPORTS OF MOTOR GASOLINE AND HOME HEATING OIL INSTITUTED JUNE 15, 1973 (OTTAWA 1381). CONTROLS ON PROPANE, BUTANE AND HEAVY FUEL OILS INSTITUTED OCTOBER 15, 1973 (OTTAWA 2452).

4. EXPORTS OF NATURAL GAS (U.S. IS THE ONLY EXTERNAL MARKET) ALSO ARE UNDER LICENSING CONTROL BY THE NEB, AND OVERALL VOLUME OF EXPORTS HAS NOT INCREASED SINCE 1970.

5. EXPORTS OF ELECTRICITY TO U.S. ALSO ARE UNDER LICENSING CONTROL BY NEB AND SUCH EXPORTS MUST, AS IN THE CASE OF OIL AND GAS, BE SURPLUS TO DOMESTIC CANADIAN REQUIREMENTS.

6. OTTAWA 238 OF JANUARY 25 REPORTED ANNOUNCEMENT BY ENERGY MINISTER MACDONALD OF VARIOUS NEW GUIDELINES REGARDING URANIUM.

7. FERROUS SCRAP SUBJECTED TO TIGHTENED EXPORT CONTROL EFFECTIVE AUGUST 1, 1973. THESE TIGHTENED CONTROLS STILL IN EFFECT. U.S. DEPARTMENT OF COMMERCE THOROUGHLY FAMILIAR WITH THEIR NATURE AND EXTENT.

8. EXPORTS OF PROTEIN FEEDS, EDIBLE OILS AND ANIMAL FATS WERE SUBJECTED BY GOC TO LICENSING CONTROL JUNE 29, 1973 IN RESPONSE TO JUNE 27 U.S. EXPORT CONTROL ACTION AFFECTING SOYBEANS, ETC; BUT THESE CONTROLS WERE RELAXED AUGUST 13 AND SEPTEMBER 17, 1973.

9. CITING U.S. PRICE FREEZE ON BEEF AS CAUSING SUPPLY SHORTAGE IN U.S., WITH ATTENDANT IMPACT ON CANADIAN SUPPLIES, GOC AUGUST 13 INSTITUTED EXPORT CONTROLS ON FRESH, CHILLED AND FROZEN BEEF AND PORK AND LIVE CATTLE AND HOGS. TRADITIONAL EXPORTS OF LIVE ANIMALS AND MEAT PRODUCTS TO U.S. ALLOWED TO CONTINUE, PROVIDED 1972 LEVELS NOT EXCEEDED (OTTAWA 1895 AND 1904). GOC LIFTED CONTROL SEPTEMBER 15 (OTTAWA 2222).
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10. CANADIAN WHEAT BOARD (CWB) IS THE SOLE MARKETING AGENCY FOR WHEAT, OATS AND BARLEY PRODUCED IN WESTERN CANADA, AND HAS BROAD POWERS TO CONTROL MOVEMENT OF OTHER GRAINS. DURING 1973 THERE WAS CONSIDERABLE PRESS SPECULATION THAT CWB WAS LIMITING EXPORTS BY PRICING HIGHER THAN COMPETITORS IN HOPE OF REVIVING HIGHER PRICES IN FUTURE WHEN COMPETITORS' SUPPLIES EXHAUSTED CWB OFFICIALS DENY THIS, CLAIMING

TRANSPORT LIMITATIONS ARE MAIN REASON FOR EXPORTS
RUNNING BEHIND PREVIOUS YEAR'S LEVELS. CWB ALSO HAS TAKEN
ACTION TO DIVERT GRAIN FROM INTERNATIONAL BUYER, WHO WAS
STANDING BY WAITING FOR IT, TO DOMESTIC LIVESTOCK FEEDERS
WHOSE NORMAL SUPPLIES CUT OFF BY RAIL STRIKE. (OTTAWA CN 3103
OF NOVEMBER 13, 1973 SUBMITTED BY EMBASSY'S AGRICULTURE
ATTACHE TO FAS.)

11. AS REPORTED REF B, WE CAN ANTICIPATE PRESSURES FOR EXPORT
CONTROLS PRACTICALLY ANYWHERE ACROSS THE BOARD, E.G., NEWSPRINT,
ZINC, LEAD, ETC., BUT GOC IS DETERMINED TO RESIST THESE
PRESSURES, AND TO DATE HAS DONE SO SUCCESSFULLY.

12. EMBASSY KNOWS OF NO REPEAT NO AGREEMENTS TO TRADE ON
BARTER TERMS. EMBASSY OFFICER WAS TOLD BY GOC
SOURCES FEBRUARY 8 OF APPROACHES MADE LAST YEAR BY "TWO BIG
COMPANIES ABROAD" PROPOSING BARTER OF STEEL REINFORCING BARS
FOR CANADIAN OIL; AND GOC OFFICIALS SAID THEY TURNED THUMBS
DOWN.

13. FOLLOW-ON AIRGRAM WILL CONTAIN COMPLETE LIST OF ALL
OTHER EXPORT CONTROLS AND/OR CITATIONS OF EMBASSY REPORTS
THEREON.
JOHNSON

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